

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN ADJUSTMENT OF GENERAL)	
RATES OF DELTA NATURAL)	CASE NO. 97-066
GAS COMPANY, INC.)	

O R D E R

On January 20, 1998, the Commission granted rehearing on two issues raised in the petitions of Delta Natural Gas Company, Inc. ("Delta") and the Attorney General ("AG"). The first issue was Delta's request that the Commission include the net of all accumulated deferred income taxes ("ADIT") items or, in the alternative, the ADIT associated with alternative minimum taxes ("AMT") totaling \$1,305,600, in the calculation of Delta's rate base.

Delta provided the direct testimony of John Brown and filed additional information in response to a Commission data request in support of its position regarding the inclusion of the ADIT associated with AMT in rate base. The Commission has reviewed the additional information provided by Delta and has concluded that the \$1,305,600 in ADIT associated with AMT is entirely associated with Delta's regulated operations and should be included in the rate base calculation for the purpose of determining Delta's revenue requirements. Delta's adjusted rate base is as follows:

NET INVESTMENT RATE BASE

Utility Plant	\$95,382,553
Accumulated Depreciation	<u>(27,002,227)</u>
Net Utility Plant	68,379,781
CWIP	1,350,673
Working Capital Allowance	977,253
Prepayments	270,741
Materials and Supplies	582,116
Gas in Storage	431,187
Unamortized Debt Issuance Costs	2,371,035
Less:	
Accumulated Deferred Income Taxes	7,389,051
Advances for Construction	<u>222,426</u>
Net Investment Rate Base	<u>\$66,751,309</u>

The second issue was the AG's request regarding the calculation of income taxes. In his rehearing petition, the AG stated that he had been unable to replicate the income taxes totaling \$1,015,659 as calculated by the Commission. The AG, therefore, requested the Commission reconcile the \$1,015,659 income tax total included in the original rate Order with the \$992,159 income tax figure the AG calculated based on the allowed revenues and expenses. In its January 20, 1998 Order granting rehearing, the Commission stated that it had discovered a data entry error that, when corrected, reconciled the AG's calculation with the Commission's calculation and resulted in a reduction of approximately \$39,000 in Delta's revenue requirements. The Commission further stated that it would correct this error upon final resolution of all outstanding issues and has done so in this Order.

Based upon the Commission's findings and determinations herein, Delta's revenue requirements are as follows:

Investment Rate Base	\$66,751,309
x Rate of Return	<u>9.0772%</u>
Required Operating Income	6,059,150
- Adjusted Operating Income	<u>4,958,010</u>
Deficiency	1,101,140
+ Uncollectibles	4,898
+ PSC Assessment	2,290
+ Income Taxes	<u>719,203</u>
Required Increase	<u>\$ 1,827,531</u>

This represents a \$157,728 addition to the increase of \$1,669,803 approved in the Commission's December 8, 1997 Order. The increase should be allocated to the General Service .1-200 Mcf block, consistent with the rate increase allocation used in that same Order.

SUMMARY

After consideration of the evidence of record and being otherwise sufficiently advised, the Commission finds that:

1. The rates in the Appendix are the fair, just and reasonable rates for Delta and will produce gross annual revenues as found reasonable herein.
2. Delta's rate base should be adjusted to include the impact of the ADIT associated with AMT.
3. Delta's allowable expenses should be corrected to reflect adjusted income taxes totaling \$992,159.

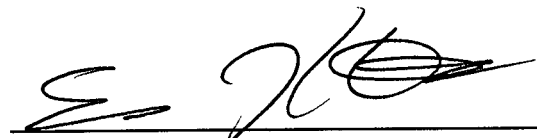
IT IS THEREFORE ORDERED that:

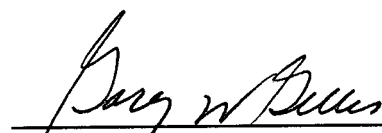
1. The rates in the Appendix to this Order are approved for service rendered on and after the date of this Order.
2. Within 30 days from the date of this Order, Delta shall file with this Commission revised tariff sheets setting out the rates and charges approved herein.

Done at Frankfort, Kentucky, this 1st day of May, 1998.

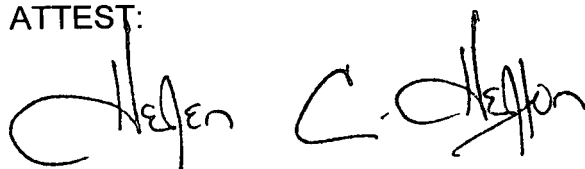
PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 97-066 DATED MAY 1, 1998

The following rates and charges are prescribed for the customers in the area served by Delta Natural Gas Company, Inc., and include the gas cost adjustment approved in Case No. 97-066-A.

RATE SCHEDULES

AVAILABILITY

Available for general use by residential, commercial, and industrial customers.

RATES

	<u>Base Rate</u>	Gas Cost Recovery <u>Rate</u>	<u>Total</u>
		plus	equals
General Service			
Customer Charge			
Residential			\$ 8.00
Small Commercial			18.36
All Others			25.00
.1 – 200 Mcf	\$2.7321	\$3.5152	6.2473 per Mcf
200.1 – 1,000 Mcf	2.5000	3.5152	6.0152 per Mcf
1,000.1 – 5,000 Mcf	2.1000	3.5152	5.6152 per Mcf
5,000.1 – 10,000 Mcf	1.5000	3.5152	5.0152 per Mcf
Over 10,000 Mcf	1.1000	3.5152	4.6152 per Mcf
Interruptible			
Monthly Customer Charge			\$200.00
.1 – 1,000 Mcf	\$1.7000	\$3.5152	5.2152
1,000.1 – 5,000 Mcf	1.3000	3.5152	4.8152
5,000.1 – 10,000 Mcf	.9000	3.5152	4.4152
Over 10,000 Mcf	.5000	3.5152	4.0152